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Advertising Age

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GM's media buying shuffled

Shifts are worth $250 million

By VERNE GAY

General Motors, Detroit, has reassigned network tv media negotiating for all its divisions. The juggling among GM shops makes them agencies of record for negotiating according to daypart, cutting across the previously rigid divisional lines. The new assignments affect the placement of about $250 million.

Leo Burnett USA, Southfield, Mich., will now handle network prime time entertainment negotiations for all GM divisions, while maintaining its creative assignment for Oldsmobile.

Network sources said GM divisions spend more money in prime time than any other daypart. Broadcast Advertisers Reports lists 1984 GM spending as $114 million in prime time, $88.4 million in weekend sports, $25.3 million in news and $3.7 million in daytime.

The prime time figures include GM divisional buys on ABC's "Monday Night Football," which is now part of the sports buy, and network prime time news shows such as ABC's "20/20."

D'Arcy MacManus Masius, Bloomfield Hills, becomes agency of record for news. DMM also continues as creative agency for the Cadillac and Pontiac divisions.

Warren-based Campbell-Ewald is agency of record for sports and remains creative agency for Chevrolet.

N W Ayer, Detroit, will handle the GM corporate public relations account, the smallest piece of the GM media pie. The corporate pr account, however, is charged with production of GM's network specials and miniseries. Ayer helped produce GM's "George Washington" miniseries that was telecast in 1984. A sequel is in the planning stages.

GM eyes "package goods" strategy for Saturn. See Page 2.

GM late Friday confirmed the assignments, adding, "Our individual agencies will continue to place the network orders." Sources said GM had yet to name agencies to handle negotiations for tv syndication, newspapers, radio and outdoor. GM said magazine responsibilities had been assigned, but declined to identify the agency.

McCann-Erickson is the only GM divisional agency (Buick, GMC trucks) yet to be publicly named to a media-negotiating assignment.

The agency-of-record assign-

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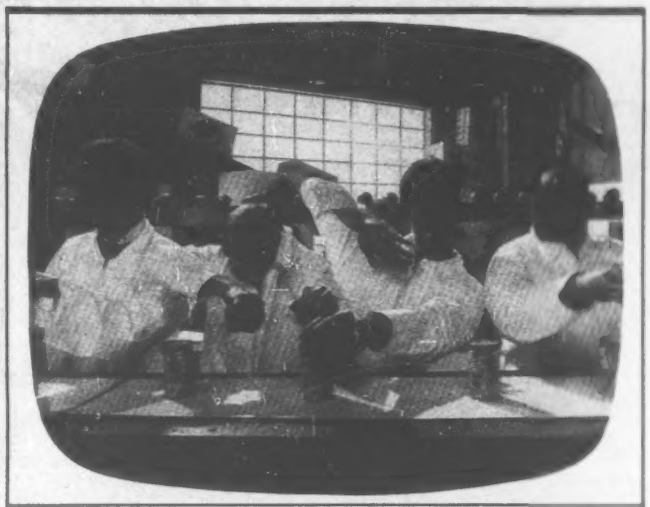

Juicy product for Seven-Up

Seven-Up Co.'s Foods unit today breaks national advertising for its five-item JuiceUp line of frozen lemonade and lemon-limeade concentrates (AA, May 6). The campaign, themed "A big squeeze in every can," includes network and spot tv, and couponed print advertising. Doyle Dane Bernbach, Los Angeles, handles.

Buyout pitch goes to board

Boston Ventures, execs want more of their MTV

By SUSAN SPILLMAN

New York—Top executives at MTV Networks Inc. and Boston Ventures Limited Partnership have made an offer to buy out Warner Amex Cable Communications' two-thirds ownership of MTV.

The MTV Networks board of directors is considering the proposal made by MTV Networks president David Horowitz, exec vp Bob Pittman and other MTV Networks executives, along with Boston Ventures. It is not known when the board will announce its decision.

While the price that the group has offered for Warner's share of MTV Networks is not known, Wall Street sources have placed the total company value at $370 million. It was not known at press time whether the management group also would bid for the one-third that is publicly held. Since not all of the MTV managers participating in the offer are known, it is not possible to calculate how much MTV Networks stock the participants hold.

MTV Networks went public last summer, selling at $15 a share. The stock is trading over-the-counter in the $25 range.

MTV posted a profit of $4.5 million on revenues of $34.5 million in the fourth quarter of 1984. For the year, the company reported a profit of $11.9 million on revenues of $109.5 million.

MTV Networks includes three cable services: The popular MTV: Music Television; Nickelodeon, a channel for children, and the 6-month-old VH1, an MTV spinoff.

Regarding the plan, an MTV spokesperson said, "We do not comment on speculation." Boston Ventures principal Anthony Bolin likewise refused comment.

Boston Ventures is the venture-capital group that in 1984 helped insiders at Metromedia Inc. take that company private. Boston Ventures played a similar role earlier this year when Billboard Publications' top management bought out Billboard.

Boston Ventures is comprised of five principal partners, including

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Last Minute News

Ponderosa cuts McCann, gives stake to K&E

Dayton, O.—Ponderosa has moved its $15 million-plus account to Kenyon & Eckhardt, New York, a mere four months after awarding it to McCann-Erickson (AA, Jan. 24). The "mutual" split was ascribed to potential conflict over the steak house chain's long-term growth plans. McCann recently won McDonald's Corp.'s accounts in Brazil and Mexico (AA, April 8), and was a finalist for Big Mac's U.K. account that went to Saatchi & Saatchi. Ponderosa has two stores and great expectations in the U.K. Avrett, Free & Ginsberg handled the account before McCann.

B&B firings follow account losses

New York—Benton & Bowles has let go two of its top creative executives and dissolved one of its creative groups as part of a series of cutbacks brought on by the Hardee's Food Systems and Nabisco Brands account

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NEWSPAPER

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Murdoch sale fires up rumors

By WILLIAM F. GLOEDE

The pending sale of Rupert Murdoch's *New York Post* and *Chicago Sun-Times* is attracting the attention of just about everyone in the newspaper business and some outsiders, too.

Sun-Times publisher Robert Page May 9 announced in a letter to the staff that the paper was for sale. In a related statement from Mr. Murdoch, read by *Sun-Times* editor Frank Devine, the Australian media baron said, "We are

(Continued on Page 121)

Nestle's 'big bite' gobbles MJB

By GAY JERVEY
and JENNIFER PENDLETON

Nestle Co.'s acquisition last week of MJB Co., a family-owned-and-operated West Coast coffee marketer with sales of about $150 million, is the latest indication of the Swiss-based company's determination to create a formidable presence in the U.S.

Financial terms for the deal were not disclosed. MJB will report to Nestle Holdings, Solon, O. Nestle and MJB officials could not be reached for comment.

The MJB move is the fourth major acquisition by Nestle in the last 18 months, and reflects the company's plan to make the U.S. its biggest money-maker and most exciting growth vehicle.

It also further illustrates Nestle's "big bite" policy of growth predominantly through acquisition, rather than internal development of new business arenas (AA, Jan. 9, '84, *et seq.*).

In addition, the sale of MJB is another indication of the difficulty smaller roasters face in staying independent in the face of industry

(Continued on Page 118)

Saturn borrows package tactics

By JESSE SNYDER

DETROIT—General Motors' pioneering Saturn Corp. will break tradition by marketing its cars as package goods. That may give package-goods specialist agencies an advantage in the selection process, but Saturn executives refuse to rule out any of the dozens of agencies that already have contacted them.

GM is determined to rewrite the rules on how cars are made, marketed and advertised with its new subsidiary, and then spread Saturn concepts rapidly throughout the company.

Saturn Corp., expected to introduce its first model in 1988 or later, doesn't have a full sales/marketing staff and is still generating new marketing proposals internally. But several key concepts are forming a working framework, say sources both inside and outside Saturn. Most of the sources requested anonymity because of a news blackout imposed by Saturn president William Hoglund.

Among the new principles:

- Saturn will be sold as a package. Buyers will purchase not just the car, but a complete "transportation contract" package that includes financing through General Motors Acceptance Corp., a service contract either through the dealer or a GM service center, collision insurance through GM's Motors Insurance subsidiary and an optional extra-cost provision that would entitle the buyer to a loaner during repairs or maintenance. The entire transaction will be made on a GM-issued general purpose credit card good for repairs, parts and accessories—and eventually other non-auto financial and communications services. Instead of the extensive choice of options common on domestic cars, Saturn will come as a complete package with the only choices being color and dealer-installed options such as sound systems and sunroofs.
- Saturn will be treated more like an appliance than machinery—much the way tvs became appliances when printed circuits and modular construction replaced vacuum tubes and hand wiring. Repairs on Saturn cars will be done by replacing modules—body panels,

(Continued on Page 118)

Haggard takes a sip

Country singer Merle Haggard is one of the featured celebrities in new ads for Schenley Distillers' George Dickel Tennessee sippin' whisky. Merle's testimonial to the virtues of drinking Dickel straight-up appears on outdoor boards and southern regional editions (85% of the brand's market is in 14 southern states) of national news, sports and outdoor magazines. Leo Burnett USA, Chicago, handles for Dallas-based Schenley.

Highlights

Beatrice Cos. this fall will invite consumers to "Enter the world of Beatrice" with a multibrand couponed insert and sweepstakes. *See Page 10.*

Marketing on the road: Ads for midsize family cars may not spell excitement, but the segment's market-share growth, up 6.7 percentage points in four years, may be exciting U.S. auto makers. *See Page 62.*

The future of advertising is being written in today's creative-award books, says Fallon McElligott Rice vp-creative director Tom McElligott. *See Page 100.*

CORPORATE CLOSEUP

The founder of Royal Silk Ltd., the catalog company that has put silk shirts and other diaphanous goodies on the backs of thousands of women at prices thousands can afford, is planning to open 100 stores by 1990. *See Page 4.*

FORUM

Consultant Nancy Salz has some advice on how to win the account. *See Page 18.*

Atlantans want it all. Virginia Rockwell tells how to do the "Big Apple of the South." *See Page 18.*

INTERNATIONAL

Parker Pen Co. has abruptly ended its unified global-marketing campaign by firing the top two marketing executives who had been spearheading the effort. *See Page 66.*

The 1986 World Soccer Cup has sparked a storm of controversy in Mexico over the choice of an official mascot for the upcoming event, which, according to experts, will be the largest media event in the world. *See Page 66.*

To capitalize on the worldwide popularity of Julio Iglesias, a marketing consultant in Switzerland has teamed up with the singer's own licensing company to produce a Julio Iglesias perfume for women. *See Page 67.*

The Hyundai Pony, an Italian-designed Korean car, has shown itself to be a mighty competitor in the tough Canadian auto market, and now is making plans to invade the U.S. market. *See Page 68.*

VIDEOTECH

Home Box Office said it would begin selling both HBO and Cinemax pay-tv services to the country's 800,000 backyard earth-station owners who now pick up the signals for free. *See Page 80.*

All season long the folks at CBS-TV were told NBC-TV owed a great deal of its Nielsen ratings comeback to the so-called "yuppie" audience. Now a CBS exec says, "They can have the yuppies!" *See Page 84.*

DIRECT MARKETING

Direct marketing may be the wave of the future in Europe, but speakers at the 17th Montreux Direct Marketing Symposium say competition for the advertising dollar is going to get tougher. *See Page 90.*

COMING THURSDAY

SPECIAL REPORT

The automotive aftermarket, which now is shifting from its distribution-driven past, is racing into the consumer marketing arena with specialty service chains, auto-parts stores and manufacturers of high-tech add-ons—cellular phones, sound systems and the like—leading the pack.

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Bigger Whopper lets BK throw its weight around

By BRIAN MORAN and SCOTT HUME

The focus in fast-food marketing is about to return to the scales.

Burger King Corp. in a few weeks will attempt to flatten its big-burger competition with a new, larger Whopper that packs more beef than McDonald's Quarter Pounder or Wendy's Single.

The "new" Whopper's beef patty will weigh in at 4.2 ozs., compared with its current 3.6 ozs. As a result, it will outclass not only McDonald's 3.2-oz. Big Mac and 4-oz. Quarter Pounder sandwiches but also Wendy's 4-oz. Single hamburger.

BK will crown its new champion with a kaiser roll (the current Whopper is couched in a plain burger bun), and the item will receive a slightly different mix of toppings.

And to make sure that burger eaters make no mistake about which burger has the most beef, BK will shrink the diameter of the Whopper roll from 5 ins. to 4.5 ins., according to industry sources. Reports conflict over whether the newfound beef will make the Whopper patty wider or thicker.

Wendy's, of course, made its cash registers sing last year when its "Where's the beef?" campaign trumpeted the Single's weight superiority over both the Whopper and Big Mac (conveniently ignoring the parity of the Quarter Pounder).

And how will Burger King announce that it's found the beef? Could Clara Peller's quest for more tv burger work finally be over?

Executives at BK headquarters were mum last week, but a source close to the company's ad and mar-

(Continued on Page 118)

Who will join new 'control' group?

Bates looks outside

By STEWART ALTER

Ted Bates Worldwide, New York, will create a corporate control and development group, staffed by six new top-level executives reporting to Robert Jacoby, chairman-ceo.

Mr. Jacoby, with characteristic flair, disclosed the news in a memo in which he said his "current guess is that I will have to go outside" to fill the posts and that "it is quite possible that my eventual successor may emerge from an alumnus of this group." The memo was released May 6 at the agency's annual meeting.

The new group will represent Bates' first major effort to coordinate functions such as new business and training among all of its agencies on a worldwide basis. It also will represent an effort to

(Continued on Page 120)

CURRENTS

It's so informative and so much fun, we decided to double its frequency. Yes, Currents goes weekly in ADVERTISING AGE *Thursday*, starting May 16.

Software makers cool to IBM's bundling up

By BRIAN MORAN

ATLANTA—IBM Corp.'s temporary offer of free software with models of its PC XT personal computer is not expected to send independent software marketers scurrying for cover, say industry analysts and software publishing executives.

Those attending the Comdex computer trade show here last week downplayed the long-term impact of IBM's latest promotion effort.

Observers pointed out that so-called "bundling" of software with computers is common and has not cut deeply into third-party marketers' sales.

Most bundling promotions involve hardware companies packaging their machines with programs from software developers, so IBM's plan to throw in its own software initially raised some eyebrows here.

But other leading computer hardware companies—including Apple Computer, Hewlett-Packard Co., Kaypro Corp. and Tandy Corp.—have bundled their own programs with computers, with mixed success.

"The software market is a lot more fragmented than the hardware market—there are many more niches to target," said William Gates, chairman, Microsoft Corp., the Bellevue, Wash.-based software giant.

"You don't need to be No. 1 in this business to do well," Mr. Gates added.

Until the end of July, Armonk, N.Y.-based IBM is sending dealers two free software programs with each model of the PC XT. Retailers are to decide whether to pass along the free programs to customers, so the 90-day promotion is not getting ad support.

Despite IBM's massive marketing muscle, consumers are likely to continue to cast a wary eye on Big Blue's software offerings, said Philippe Kahn, president, Borland International, a Scotts Valley, Cal., marketer of application programs.

"Customers will still look for a better product, for an upgrade of what IBM is offering," Mr. Kahn said. "If software companies can come up with better technology, they're still going to make it."

Although IBM is positioning the offer as a boost to its PC XT sales, many observers here viewed the move as a tactic to pump up IBM's lackluster pc software sales.

Few software executives saw the giveaway as a desperation move, but Albert Vezza, chief executive officer at Infocom, Cambridge, Mass., quipped in reference to IBM's ill-fated PCjr: "The last time [IBM] ran a promotion like this, they ended up discontinuing the product."

IBM gave away software last Christmas in an attempt to revive the PCjr before halting production earlier this year.

Tandy, Fort Worth, Tex., has bundled its own Deskmate integrated applications program with the Tandy 1000 pc since the marketer introduced that machine last November.

Deskmate—which features word processing, spreadsheet, filing and communications functions—is included in the $1,199 suggested retail price of the IBM-compatible 1000.

Apple, Cupertino, Cal., bundles MacWrite, an Apple word-processing program, and MacPaint, a graphics program, with every Macintosh pc.

The free software, with a retail value of $500, originally was a limited promotion when Mac was introduced, at a time when only a handful of independently published Macintosh programs was available.

Apple has decided to continue giving away the software, even though more than 500 Mac programs currently are on the market.

Hewlett-Packard, Palo Alto, Cal., until recently bundled two of its own applications software programs, MemoMaker (a word processor) and Personal Card File (a limited database) with its Touchscreen pcs.

H-P's latest Touchscreen model does not come with free software. H-P's original personal computer, the HP-150, came with Lotus Development Corp.'s 1-2-3 integrated package.

Kaypro Corp., Solano Beach, Cal., and Osborne Computer Corp., Fremont, Cal., both pioneers in the portable computer segment, bundle extensive amounts of software as part of their "total solution" marketing strategies.

All the free programs, which are published by third-party developers, are licensed to the computer marketers.#

Also contributing to this story was reporter Cleveland Horton in Los Angeles.

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CORRECTIONS & CLARIFICATIONS

- Gross income for agency Howard Miller Associates, Lancaster, Pa., was $1,260,619 in 1984 and $880,404 in 1983, instead of the figures the agency reported in the Agency Income Report (AA, March 28, P. 80).
- Manhattan Design, not Fred Seibert and Alan Goodman, conceived and designed the MTV logo (AA, April 25, P. 9). Likewise, Corey & Co.: Designers created the new Nickelodeon logo. Messrs. Seibert and Goodman, now operating as Fred/Alan, New York, acted as creative directors and producers on these projects.
- A late-news item about Nabisco Brands point-of-purchase promotion (AA, May 6, P. 8) incorrectly stated that the fourth item was Twix cookie bars rather than Twigs snack sticks. Twix cookie bars is a product of Mars Inc.
- McKesson Corp.'s Armor All Products unit is advertising its protectant, not its cleanser as reported (AA, April 4, P. 39).
- A story on newspaper circulation figures incorrectly listed the date of the Audit Bureau of Circulations' most recent FAS-FAX report (AA, May 6, P. 3). Figures were averages for the six months ending March 31, 1985.
- Leo Burnett USA, Chicago, art director Mary Martin should have been credited for creating the Obie Award-winning outdoor ad for United Airlines (AA, April 29, P. 50).
- Kenneth Hieronymus' name was misspelled in an earlier issue (AA, April 23, P. 94). Mr. Hieronymus is the new president of Kenrick Advertising, St. Louis.#

1st quarter not bad omen

By STEWART ALTER

New York—The first quarter, during which most of the publicly held ad agencies already have reported net income declines from last year, looks worse than it actually is.

JWT Group, Interpublic Group of Cos., BBDO International, Doyle Dane Bernbach International and Mickelberry Corp. all reported drops in their net income in the first three months of 1985 compared with the similar period in 1984.

Ogilvy & Mather International and Ally & Gargano, both of which gained a lot of new business last year, reported increases.

Grey Advertising also reported a very strong first quarter, with net income up about 50%, from $1 million to $1.5 million.

But the picture has been colored a bit by how strong the U.S. dollar has been recently and by how strong advertising spending was in the first quarter of 1984. The Winter Olympics and telephone deregulation were major contributors to the 1984 boom.

There also were some unusual circumstances. DDB's net income dropped 16% from $1.3 million to $1.1 million.

The company explained that "comparative earnings were affected by the reversal of previously accrued compensation costs of $2,115,000 in the 1984 first quarter." Without that, net income would actually be up 23%.

Similarly, JWT's net income drop from $3.8 million to $209,000 included a $2.8 million tax writeoff from disposing of its E-A International network, a move that has been generally praised. Moreover, there's no real money loss here; good will from the previous acquisition of E-A was being written off over an extended period, but with the E-A divestiture all the remaining good will has to be written off all at once.

JWT earnings still would have declined, but that's compared with the first quarter of 1984 in which its net income leaped an amazing 254% to $3.8 million.

O&M had a very good first quarter, with net income up 13.9% to $3.8 million, owing to its many new-business gains in 1984 that have started billing.

The story is similar for Ally & Gargano, which earned $400,000 in the first quarter, compared with a loss of $160,000 in the year-ago quarter.

BBDO's net income dropped 18% to $42 million.

Also Mickelbery Corp., whose Cunningham & Walsh unit lost its huge Brown & Williamson account last year, suffered a 12.7% net income drop, to $711,000, in spite of having made a direct-marketing agency acquisition last year that should have boosted 1985 results.

So there is a bit of a slowdown. "The general impression is that business is a little bit softer than expected," said Alan Gottesman, an analyst at L.F. Rothschild, Unterberg, Towbin. "It looks like the typical first-quarter blahs may be a little longer lasting than usual, but I would say it's normal first-quarter malaise."

The one figure Mr. Gottesman does consider important to look at is rate of growth of expenses. "If expenses are kept under good control, any increase in revenues can produce a disproportionately large gain in income," he said.

He considered BBDO's 9% increase satisfactory. Interpublic Group of Cos. had only a 3% increase in expenses.

IPG also had a net income drop of 22% to $3.8 million. Eugene Beard, exec vp-finance, explained three reasons for the drop. "We had an incredibly strong first quarter last year," he said, noting also the disadvantages of a very strong U.S. dollar relative to other currencies.

Additionally, "The economy of European countries, especially Germany, is still soft."

IPG picked up $202 million in net new business in the first quarter, which it expects will improve second-quarter results.

Part of the decline affecting IPG, JWT and BBDO was due to the strength of the dollar. BBDO, which had a 10% increase in domestic revenue, would also have had a non-U.S. revenue increase of 11%, instead of a 10% decrease.

Mr. Gottesman said he has "a difficult time getting excited or upset about the strength of the dollar" because it doesn't tend to change an agency's competitive situation.

Revenues are generated and expenses incurred in whatever the local currency is, he said, so one agency's situation in a country is the same as another's.#

Agency financial results

The first quarter for the public ad agencies proved to be mixed. Some agencies reported declines in net income, while others reported impressive gains. NM means not meaningful. Source: *Advertising Age*.

Agency	Income ($000) 1984	1985	(%)	Revenue ($000) 1984	1985	(%)
First quarter						
Ally	(160)	400	NM	4,257	6,327	+49
BBDO	5,172	4,219	−18	71,861	75,818	+ 6
DDB	1,310	1,106	−16	46,672	51,180	+10
FCB	2,016	1,220	−39	63,333	59,436	+ 6
Grey	1,014	1,454	+43	40,371	49,6[illegible]	+23
Interpublic	4,844	3,777	−22	148,410	148,149	+ 1
Mickelberry	801	711	−11	27,069	34,680	+28
Ogilvy	3,127	3,563	+14	95,180	106,297	+12
JWT	3,754	209	−94	120,795	125,993	+ 4

Mickelberry backs shops despite losses

By STEWART ALTER

Mickelberry Corp. earnings were down in 1984 and again in the first quarter of 1985. And Mickelberry does not expect a quick recovery in its advertising agency businesses.

But chairman James Marlas said at the company's annual meeting May 7 that the holding company for such ad agencies as Cunningham & Walsh, Laurence, Charles & Free and Nadler & Larimer is in the agency business to stay.

Several times during his speech, Mr. Marlas emphasized Mickelberry is the boss in running its shops, even though it is not involved in the daily management of the agencies. Mr. Marlas appeared to be responding to criticism that he has maintained too passive an approach toward the agencies.

"We at Mickelberry are in the advertising and related marketing-service business because we *chose* to be here," he said. "We decided to invest in this business over an array of other opportunities that were available to us. As we have become more involved in the business, we are convinced we made a good decision."

The loss by C&W/Chicago of the huge Brown & Williamson Tobacco account was a big blow to the company last year. Combined with other account losses, including Faberge by Nadler & Larimer, the company's net income declined last year to $1.3 million from $2.6 million in 1983. In the first quarter of 1985, earnings dropped to $711,000 from $801,000 in the first three months of 1984.

"Margins fell and we were forced to do some restructuring," Mr. Marlas said of the effect of the account losses. "Although a number of steps were taken to strengthen our advertising businesses during 1984, the reduced margins there will continue to affect our results in 1985," he said.

Mr. Marlas maintained the company would look for long-term growth, not short-term improvements in margins.

He also emphasized Mickelberry has been making changes. "We have looked very hard at our business over the last six months. We found some weaknesses, and we are working to fix them," he said.

Those changes are clearly C&W's acquisition of BBDM in Chicago and the sale of its San Francisco agency office to Allen & Dorward. Nadler & Larimer, which brought in Ric Calvillo as its new ceo, also has been reported to be making a change, involving absorbing the LCF&S subsidiary of Laurence, Charles & Free.

"A degree of constructive innovation is taking place at Mickelberry's units through a stimulating process of self-analysis," he said.

Until late last year, Mickelberry's track record had been an impressive one, although most of that was through acquisitions. The revenues for the advertising agency sector of its business rose from $11.8 million in 1980 to $71.9 million in 1984. The marketing-services sector rose from $14.7 million in 1980 to $52.4 million last year.

Also, as the company's annual report indicates, Mickelberry continued as a reasonably aggressive acquirer last year, though not of ad agencies. It spent $8.4 million to buy three companies last year: Ventura Associates, a sales promotion company, for $1.8 million in cash and stock worth $647,000; $2.8 million for Caribiner, a producer of business conferences, and the Direct Marketing Agency, for $3.2 million in cash.

Mr. Marlas said the growth trend and the financial dynamics of the ad agency business were good. "Average margins in the industry exceed 10% of revenues, capital requirements are low, cash flow is positive and returns on capital are favorable," he said.

"It is a fundamentally sound business, and the degree of success you achieve is directly related to how well management performs," Mr. Marlas added.#

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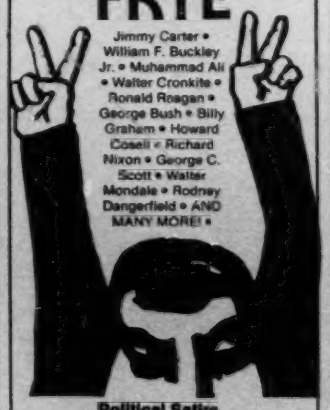
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Silicon Valley agencies tied to high tech

Three agencies may record growth of more than 50% during 1985, but most top agencies estimate that they'll experience mediocre growth or even a decline in billings. [1]Projected. [2]Capitalized billings.
Source: Advertising Age

Agency	City	Year founded	'85 billings[1] ($ millions)	'84 billings ($ millions)	Per cent change	Major accounts	Per cent of computer-related billings
Tycer-Fultz-Bellack	Palo Alto	1973	35.0[1]	35.2[2]	– 0.5	Digital Research, Racal-Vadiz, Xidex/Dysan, Jacuzzi	95
Austin Associates	Santa Clara	1982	22.0	12.0	+83.3	Fujitsu Microelectronics (semiconductors), Triad Systems, Cornus Systems, Eaton	75
Imahara & Keep	Sunnyvale	1979	18.7	19.6	– 4.5	Hyundai Electronics, Candela Electronics, Coherent, Xerox Office Systems (collateral)	95
Battenberg, Fillhardt & Wright	San Jose	1969	17.0	13.1	+29.7	Bank of the West, Wyse Technology, E+E DataComm, Ungermann & Bass	85
Reiser Williams DeYong/C&W	Santa Clara	1975	16.0	11.5	+39.1	NCR (personal computers and oem), Siliconix	100
Winston Advertising	Palo Alto	1971	16.0	10.0	+60.0	Nelson Analytical, Telco Systems, Aztec USA, Microber	100
Winkler Tawa McManus	Santa Clara	1973	15.0	12.5	+20.0	LSI Logic, Digital Microwave, Cohesive Network, Fischer Imaging	100
Livingston/Sirutis Advertising	Belmont	1980	14.4	9.2	+56.5	Fujitsu Microelectronics, ISC Systems, Impell, National Transaction Systems	50
The Coakley Heagerty Cos.	Santa Clara	1961	12.0	12.8	– 6.2	Wm Lyon Development, Redwood Shores, Ampex (data systems), Seiko (business systems)	22
Carter Callahan Advertising	San Jose	1974	12.0	12.0	—	The Money Store, ICOT, ATI, Silicon Valley Financial Center	33
Cortani/Brown/Rigoli	Mountain View	1969	10.0	12.8	–21.8	Applied Materials, Doloh Logic Instruments, Novell, Scientific Micro Systems	100
Ebey, Utley & Co.	Mountain View	1961	9.5	8.5[2]	+11.7	Fujitsu America, Amaray International, Boechert	70

Silicon Valley shops seek injection of hope

By CLEVELAND HORTON and JENNIFER PENDLETON

A national slump in personal-computer sales, already afflicting computer marketers and suppliers in California's Silicon Valley, also is having an impact on ad agencies that serve those companies.

Hard times have hit the estimated 50 full-service agencies and at least 100 assorted creative boutiques and design studios that built their business on once-booming high-tech accounts. Several agencies have cut personnel during recent months. Many are bracing for what may be a long recession, and others are predicting the trend will intensify.

"A lot of people are feeling it now, and I expect they'll be feeling it a lot more by the third quarter," said George Parker, vp-creative director, Coakley Heagerty Companies Ltd., Santa Clara, Cal., the area's fourth-largest ad agency.

Tycer-Fultz-Bellack, Palo Alto, Cal., the largest of the Valley's high-tech agencies with $35 million in billings, is one recent victim. TFB's spectacular growth ground to a halt in the last quarter of 1984, and the agency last month dropped 14 staff members from its payroll (AA, April 22).

Most Silicon Valley people view TFB's cutbacks with the attitude of "There but for the grace of God go I." Said Robert McManus, senior vp, Winkler Tawa McManus, Santa Clara, an agency that represents several technology accounts, "Realistically, when you look around the Valley, it could happen to any one of us."

Agencies representing computer-chip manufacturers—which have seen their business decline drastically during the past year—have been particularly hard-hit. National Semiconductor, a leader in the chip business, stopped advertising for two months earlier this year. Foote, Cone & Belding, San Francisco, is the agency.

Likewise, Intel, one of the area's larger business-to-business advertisers with an $8 million ad budget, reportedly has cut its budget by 15%. Chiat/Day, San Francisco, handles.

To cut costs, some high-tech companies are moving their advertising in-house. TFB was pinched earlier this year when two of its accounts, NEC Electronics, San Mateo, Cal., and Cromemco, Mountain View, Cal., did just that with their combined $4 million business.

Meanwhile, agencies are finding fewer new-business prospects in high-tech, and some are turning to consumer accounts.

Livingston/Sirutis, Belmont, Cal., formerly technology specialists, recently added two new pieces of business outside their usual area —the Four Seasons Clift Hotel, San Francisco, and a portion of Saga Corp., Menlo Park, Cal.

TFB recently added its first consumer account, Jacuzzi Whirlpool Bath, Walnut Creek, Cal. The agency hopes it will be the first of several nontechnical pieces of business in its future.

Reiser Williams DeYong/Cunningham & Walsh, Santa Clara, the northern California arm of the Irving, Cal.-based high-tech agency, says it isn't actively seeking business outside the technology field. But, says senior vp-general manager John Pagliaro, the agency won't turn down any consumer accounts that come its way.

Battenberg, Fillhardt & Wright president Curtis Wright said his San Jose-based agency is working to broaden its client base, but not because high-tech is dead. "It's not prudent for any agency to rely solely on one industry," Mr. Wright observed.

"Agencies have to make drastic changes with their mix [types of accounts] or be content to remain much smaller," said Doug Gotthoffer, president of Doug Gotthoffer Co., San Francisco, a recent emigre from Palo Alto. Mr. Gotthoffer recently closed his full-service agency in Silicon Valley.

Mr. Parker of Coakley Heagerty said his agency has avoided personnel layoffs by sticking to a long-practiced policy that no more than 40% of its business be high-tech.

One reason many agencies have been hard-hit is that they took on undercapitalized accounts in hopes they would become "the next Apple," according to Mr. Parker. That rarely happened.

Livingston/Sirutis president Tom Livingston contends many high-tech startups are less than candid about their financial position. "The Valley startups lack a certain integrity," lamented Mr. Livingston, whose agency had to go to court to collect an $80,000 payment from Cogito Systems Corp., Santa Clara, a disc-drive marketer.

Mr. Pagliaro of RWDY/C&W said success in the Silicon Valley ad business requires prudent selection of clients and knowledge of the high-tech marketplace.

"There were a lot of consumer agencies that went into the high-tech field not attuned to the extreme competition and rapid pace of this market," he declared. "Many found out the hard way how volatile this industry can be." Mr. Pagliaro said his agency just experienced the best month in its history, a performance he attributes to agency expertise and, he admits, luck.

While some agencies are developing consumer accounts as a way to sustain their business, some are sticking with the high-tech business they know best. John Brown of Cortani/Brown/Rigoli, Mountain View, believes the current downturn is cyclical and will end. "This occurs every three years," said the agency president.

Mr. Brown believes the consumer advertising business is incompatible with the high-tech ad business, but he hopes other high-tech agencies dilute their business by going after consumer accounts. "We'll hang in and end up the better for it," he said.

Winston Advertising, Palo Alto, is another agency with an upbeat look at the downturn. Despite a flat year, the agency is adding senior personnel and reaffirming its commitment to high-tech. "We see this [the recession] as an outstanding opportunity for growth," said exec vp John Wickett. "We're doing what we tell our clients to do—steal market share when the industry's weak."

Shop saw high-tech as past, not future

By CLEVELAND HORTON

The first signs of trouble in Silicon Valley for ad agencies as well as high-tech advertisers could be seen more than a year ago, according to Tom Livingston, president of Livingston/Sirutis Advertising, Belmont, Cal.

While most computer magazines remained thick and appeared to be thriving, close observation revealed that "as many companies were dropping out as were coming in [and] we weren't seeing the growth anymore," Mr. Livingston said.

Mr. Livingston decided in August to steer his 5-year-old agency away from high-tech work and point it toward consumer-oriented accounts. Since then, many other agencies have followed suit.

But making the change may be easier said than done.

With a reputation as a high-tech agency, L/S had to deal with the perception that computer-related advertising is only business-to-business advertising, and that the skills of that discipline are not easily transferrable to consumer accounts.

The $10 million agency was fortunate. Most of its senior management began their careers in consumer advertising, a background that helped L/S land its initial high-tech accounts and that now helps the agency pitch consumer business.

High-tech accounts grew to represent more than 80% of the agency's billings, even though "the idea wasn't to be totally high-tech" when the agency was formed, Mr. Livingston said.

He now considers the computer industry off limits for new business. "We will continue to avoid high-tech with a vengeance."

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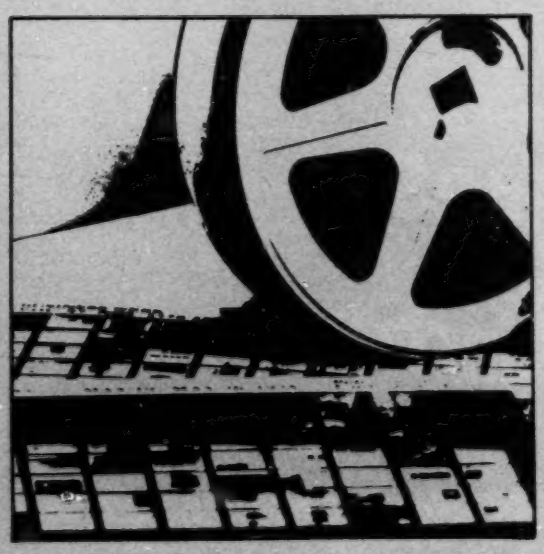

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CONSUMER WATCH

Outlook brightened by boomers' babies

By LEO J. SHAPIRO and DWIGHT BOHMBACH

If it weren't for sex, business wouldn't be as good as it's been lately. Love not only "makes the world go 'round," it also moves merchandise. ADVERTISING AGE National Poll data for the first four months of 1985 show how and where.

We have more than 78 million "baby-boom" generation members between age 20 and 39 among us. They are all of an age to make the most expensive investment most of us ever make—having babies. One-fifth of the 1,344 households we talked with are planning for babies. In homes in which the adults are under age 40, 45% expect to have babies.

The differences in attitudes, income, buying plans and active shopping between these tens of millions of prospective parents and the population in general have major sales implications.

For contrast, let's first look at how consumers viewed the world and their own situation during the first four months of 1985.

First-quarter 1985 saw relatively few sharp or drastic changes in the way consumers perceived the specific problems facing the nation. With the U.S. and U.S.S.R. finally getting ready to "reason together," Americans' concern about foreign affairs/war cooled a bit, with 40% mentioning foreign affairs/war as a major national problem in January and 37% in March and April. Concern about possible recession/unemployment grew during the quarter, from 24% in January to 29% in March—then sank back to 24% again in April. Only 13% of consumers considered inflation a major national problem in January; this dipped midquarter, then rose to 12% in April.

Generalized uneasiness

But while Americans worried less about specific national problems, there were signs of a generalized uneasiness that grew month to month.

The year began with half the population feeling "things are getting better for the country." However, this enthusiasm waned to 44% in March and April. Currently, 37% of Americans say they think "things are getting worse"—up five points since January.

What seems to be making people uneasy is the economic environment. Most Americans (52%) thought the economy was improving in January; but this per cent has fallen to 47% in April. The per cent who expect the economy to get worse has ticked upward each month since January and now stands at 26%.

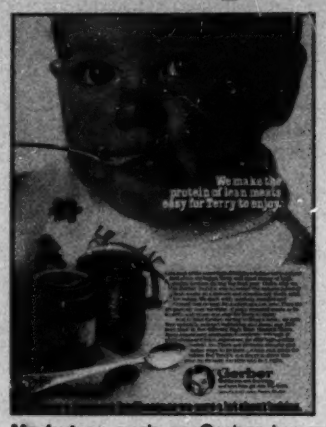
So far, this uneasiness doesn't seem related to recent employment difficulties. Eight in ten households report no layoffs or reductions in hours or pay during the past year.

This ratio has been steady since January. However, even though seven in ten tell us they expect no job problems during the coming months, this ratio has drifted down from 72% in January to 68% in April.

Four in ten households (38%) report that it is "easier to pay bills and get by" this year than last and slightly more (41%) find it *harder* to do so. The proportion finding it easier to make ends meet dropped just one point since January; those finding it harder increased three points. The balancing change is a two-point gain in those who see no change in their ability to pay bills and get along.

At the end of each month in 1985, more people tell us they've had money left over for saving. Nevertheless, most don't expect to increase savings next year. Since January (when 45% reported having cash to save at the end of the month), this proportion inched up to 51% in April.

At the same time, there was a steady downtrend (44% in January to 38%) in the per cent who expect to increase savings next year. It looks as if people may be saving money now that they expect to spend later this year.



Marketers such as Gerbor have recognized that about 45% of the baby-boomer families expect to have babies.

The proportion of consumers who tell us they expect to increase their total debts in the next year has climbed from 17% in January to 24%. This sounds like as many as one in four households expects to make some major purchases in coming months.

Spending selective

Day-to-day spending for consumable goods remained quite steady through the first quarter, with 71% of consumers reporting spending freely for consumables in January and 68% in April. But consumers have become increasingly selective. Most continue to buy food freely, but, as gasoline prices rose at the pumps during the quarter, the per cent reducing their driving to cope with higher gasoline costs promptly went up five points to 30%. Americans are sensitive to price shifts these days. They can change buying plans and shopping behavior overnight to cope with price changes.

This could affect big-ticket purchases in months ahead. At the beginning of the year, just 38% of consumers expected financing rates on housing or a new car to rise in months ahead; now 45% expect this. The per cent expecting housing prices to go up was just 48% in February; now it's up 11 points to 59%. The per cent expecting higher prices for new cars was down to 56% in February; now it is 63%. How may all this affect future buying? We may already be seeing some indications: The number of consumers planning to borrow money or use credit for major purchases was 39% in February, but has dropped to 34% in April. Borrowing plans for new cars remain high (19% in April) but are down a point since December-January.

Plans to buy housing, furniture, appliances, color tvs, used cars and air travel all declined between January and April. Plans to buy a new car, carpeting and hotel/motel accommodations either remained steady or moved up a bit. As we move further in 1985, one gets an impression that consumers still feel secure about work, and although fewer expect their income to go up in the coming year (47% vs. 52% in January), they still feel cautiously confident about managing to get by. But it's as if most people are waiting to see what happens next before making big moves.

Sex

Now here is where sex rears its profitable head. Let's take a look at the buying plans and shopping behavior of all those young Americans now planning to invest in a baby. (And what an investment that becomes!) Government estimates show that just raising a child through the first five years, with one parent at home, costs more than $20,000. (This may be why almost half of all new mothers now go back to work outside the home within the first year after their baby is delivered.)

As the new child grows, so do the dollar outlays. A recent *Wall Street Journal* estimate placed the cost of raising a child born in 1980 to age 22 at just under $215,000. And that doesn't include college costs. It does include food, housing, transportation, healthcare, clothing and other miscellaneous costs —with practically every area in American marketing sharing in the expenditures.

In a household with a new baby, the parents change diapers—but the baby changes everything. Beginning with housing. During first-quarter 1985, 11% of all consumers who were *not* planning to have a baby expected to buy housing during the year ahead. But (get this), 27% of those planning to have a baby also were planning to buy housing. These baby-planners also are the most active housing-shoppers. Only 8% of those Americans not planning for a baby were shopping actively for housing (studying ads, comparing prices and visiting the housing sites) during first-quarter 1985—but more than twice that proportion of those planning for a baby (17%) were shopping actively.

The average first-time home buyer in 1984 saved money for almost two years to get the down payment together. No wonder these baby-planners were more likely to plan on increasing their savings in the coming year and much more likely to have saved money during the past month than Americans who were not planning for a baby. Baby-planners collect dollars the way birds collect twigs —to build a nest.

In fact, baby-planners are the prime prospects for major goods of all kinds. During first-quarter 1985, we found baby-planners across the nation *twice* as likely to be planning to buy and twice as likely to be actively shopping for new cars, used cars, furniture and color tvs. They were also more likely to be shopping actively for appliances and air travel and to be spending freely for medical services, food and gasoline.

Baby-planners are much more likely to report higher income this past year and expect higher income next year than are people not planning for a baby. They have the wherewithal to be prime prospects and customers for most of whatever you sell, not only now but in the future. And they are uniquely impelled toward spending because such a high proportion of this generation's babies (more than 40% last year) are firstborns. The "hand that rocked the cradle" may steady and support your sales picture for a long time to come.#

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Private-label, generic food sales drop

NEW YORK—Price brands offered by food retailers have fallen to 14.6% of sales, down from 16.8% in 1982 when the country was in the midst of a recession, according to a new study by Selling Areas-Marketing Inc.

SAMI, a subsidiary of Time Inc., reported that regular private-label and generics both have recorded losses.

The downward trend has continued during the full year ended March 29, 1985, and for the 12-week period ending on the same date.

The only product department measured by SAMI showing any gain was health & beauty aids of regular private-label for the most recent 12-week period.

The dollar share rose from 3.03% of sales to 3.06%, but for the year the share declined to 2.93% from 3.05%.

Other departments measured by SAMI are dry grocery-food, dry grocery-nonfood, frozen and refrigerated.

Despite the downward trends, several specific product categories showed some gains.

These included canned spinach, coffee filters, international-style prepared vegetables, refrigerated apple juice/cider and baby oils, creams and lotions.#

Private label share trends

Source: SAMI

Department	Current dollar share	Share point change
Dry grocery, food	11.07%	–0.63
Dry grocery, non-food	8.88%	–0.02
Total dry grocery	10.47%	–0.47
Frozen	16.00%	–1.67
Refrigerated	23.14%	–1.24
Frozen & refrigerated	20.01%	–1.48
Health & beauty aids	2.93%	–0.12
Grand total	12.47%	–0.67

Generic label share trends

Source: SAMI

Department	Current dollar share	Share point change
Dry grocery, food	2.12%	–0.32
Dry grocery, non-food	3.11%	–0.37
Total dry grocery	2.39%	–0.33
Frozen	1.14%	–0.23
Refrigerated	1.17%	–0.20
Frozen & refrigerated	1.16%	–0.21
Health & beauty aids	0.78%	–0.06
Grand total	1.96%	–0.29

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